

0959 California Debt Limit Allocation Committee

The California Debt Limit Allocation Committee's mission is to allocate tax-exempt private activity bond authority for the State of California. Private activity bonds may only be used by the private sector for projects and programs that provide a public benefit. The major public benefit in California is the creation of affordable housing.

The federal government limits the amount of tax-exempt private activity bond authority that can be issued in a state on an annual basis. The limit of bond authority in 2010 is calculated by multiplying the state population by \$90. California has the largest population, and thus has the largest debt (or tax-exempt bond) limit, which totaled over \$3.3 billion in 2010.

The Committee's allocation of tax-exempt bond authority results in the issuance of bonds by cities, counties, joint powers authorities, and state agencies. The bonds are purchased and used by the private sector and are not an obligation of the state or of the federal government.

The Committee administers six programs that are funded through the allocation and issuance of tax-exempt private activity bonds. Those programs are: (1) the Qualified Residential Rental Project Program, (2) the Single-Family Housing Program, (3) the Extra Credit Home Purchase Program, (4) the Industrial Development Bond Project Program, (5) the Exempt Facility Program, and (6) the Student Loan Program.

The Committee is also responsible for the reallocation of Recovery Zone Economic Development Bond (RZEDB), Recovery Zone Facility Bond (RZFB), and Qualified Energy Conservation Bond (QECB) authority originally provided to qualified localities, but later waived back to the State. These bond programs, made available through the American Recovery and Reinvestment Act of 2009, provide tax incentives and lower borrowing costs for local governments and private entities to promote job creation and economic recovery in areas particularly affected by employment decline; and for the QECB authority, to facilitate renewable energy conservation programs and projects throughout the State.

The Committee is comprised of the State Treasurer as Chairperson, the Governor, or upon his designation, the Director of Finance, and the State Controller. The Committee is funded on a fee-supported basis.

3-YR EXPENDITURES AND PERSONNEL YEARS

	Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
10 California Debt Limit Allocation Committee	9.8	9.0	9.0	\$1,170	\$1,222	\$1,276
TOTALS, POSITIONS AND EXPENDITURES (All Programs)	9.8	9.0	9.0	\$1,170	\$1,222	\$1,276
FUNDING				2009-10*	2010-11*	2011-12*
0169 California Debt Limit Allocation Committee Fund				\$1,170	\$1,222	\$1,276
TOTALS, EXPENDITURES, ALL FUNDS				\$1,170	\$1,222	\$1,276

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code Section 8869.80 et seq.

DETAILED BUDGET ADJUSTMENTS

	2010-11*			2011-12*		
	General Fund	Other Funds	Personnel Years	General Fund	Other Funds	Personnel Years
Workload Budget Adjustments						
Other Workload Budget Adjustments						
• Employee Compensation Adjustments	\$-	-\$47	-	\$-	-\$9	-
• Retirement Rate Adjustment	-	16	-	-	16	-
• Workforce Cap Adjustment	-	-32	-	-	-32	-
• Miscellaneous Baseline Adjustments	-	-	-	-	16	-
Totals, Other Workload Budget Adjustments	\$-	-\$63	-	\$-	-\$9	-
Totals, Workload Budget Adjustments	\$-	-\$63	-	\$-	-\$9	-
Totals, Budget Adjustments	\$-	-\$63	-	\$-	-\$9	-

PROGRAM DESCRIPTIONS

10 - CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

* Dollars in thousands, except in Salary Range.

0959 California Debt Limit Allocation Committee - Continued

Qualified Residential Rental Project Program:

State and local governmental agencies and joint powers authorities can issue tax-exempt housing revenue bonds. These bonds assist developers of multifamily rental housing units to acquire land and construct new units or purchase and rehabilitate existing units. The tax-exempt bonds lower the interest rate on a mortgage to be paid by the developers. The developers in turn produce affordable and market rate rental housing for low and very low-income households by reducing rental rates to these individuals and families. Projects that receive an award of bond authority have the right to apply for non-competitive four-percent tax credits.

Single-Family Housing Program:

State and local governmental agencies and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) or mortgage credit certificates (MCCs) to assist first-time homebuyers with purchasing homes. These agencies and authorities may issue MRBs, the proceeds of which back below-market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. Homebuyers use the MCCs to reduce their federal tax liability by applying the credit to their net tax due. Homebuyers may purchase single-family homes, either freestanding detached, condominiums or townhouses. Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

Extra Credit Home Purchase Program:

State and local governmental agencies and joint powers authorities can issue MRBs or MCCs to assist teachers, principals and other eligible school staff with purchasing homes. These agencies and authorities may issue MRBs, the proceeds of which back below-market interest rate mortgages. As an alternative to issuing MRBs, state and local governmental agencies and joint powers authorities may issue MCCs. Homebuyers use the MCC to reduce their federal tax liability by applying the credit to their net tax due.

Industrial Development Bond Project Program:

Small-Issue Industrial Development Bonds (IDBs) are tax-exempt private activity bonds that are issued through state and local governmental agencies to assist manufacturing facilities finance capital expenditures. IDBs offer interest rate savings to small and midsize manufacturers in contrast to conventional loans. When used by manufacturers, IDBs serve to retain and create new jobs within their communities.

Exempt Facility Program:

Exempt Facility Bonds are tax-exempt private activity bonds that are issued by state and local governmental agencies to finance solid waste disposal and waste recycling facilities. The tax-exempt bonds provide facility owners with low-cost financing in the form of below-market interest rate loans. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve meet their mandated requirements to protect and enhance the environment.

Student Loan Program:

Student Loan Bonds are tax-exempt private activity bonds issued by authorized agencies for the purpose of either financing direct loans to college students and their parents or purchasing bundles of already-originated loans on the secondary market. When used for direct lending programs, tax-exempt bond allocation allows lenders to pass on interest rate savings to financially needy students via below-market interest rate loans. Financially needy students are borrowers for whom the cost to attend college exceeds their ability to pay, as determined by their school's financial aid office.

Recovery Zone Facility Bond Program:

Recovery Zone Facility Bonds (RZFBs) are tax-exempt private activity bonds issued by authorized agencies for the purpose of providing interest savings to trades or businesses in areas suffering from economic distress. RZFBs provide expanded eligibility beyond the limits of traditional exempt facility or small issue private activity bonds, as defined in the federal Internal Revenue Code. However, 95% of the RZFB bond proceeds must be used for the property. To qualify as a RZFB project, the property must be constructed, reconstructed, renovated or acquired after the area in which the project is located is designated a Recovery Zone by a locality. Currently, RZFBs must be issued no later than December 31, 2010.

Recovery Zone Economic Development Bond Program:

Recovery Zone Economic Development Bonds (RZEDBs) are taxable bonds that provide issuers a direct federal subsidy equal to 45% of the interest payable on the bonds. Eligible expenditures include: 1) capital expenditures paid or incurred with respect to property located in a Recovery Zone; 2) expenditures for public infrastructure and construction of other public facilities that promote the development of other economic activity in a Recovery Zone; and 3) expenditures for job training and educational programs. Currently, RZEDBs must be issued no later than December 31, 2010.

Qualified Energy Conservation Bond Program:

Qualified Energy Conservation Bonds (QECBs) may be issued as either tax-exempt private activity bonds or governmental purpose taxable bonds. When issued as a governmental purpose taxable bond, QECBs provide the issuer with either a direct or tax credit interest subsidy. QECBs may be issued to finance a broad array of qualified conservation purposes such as capital expenditures, research facilities and research grant programs, mass commuting facilities, public education campaigns, and demonstration projects. There is no sunset date for this program.

DETAILED EXPENDITURES BY PROGRAM

		2009-10*	2010-11*	2011-12*
PROGRAM REQUIREMENTS				
10	CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE			
	State Operations:			
0169	California Debt Limit Allocation Committee Fund	\$1,170	\$1,222	\$1,276

* Dollars in thousands, except in Salary Range.

0959 California Debt Limit Allocation Committee - Continued

	2009-10*	2010-11*	2011-12*
Totals, State Operations	\$1,170	\$1,222	\$1,276
TOTALS, EXPENDITURES			
State Operations	1,170	1,222	1,276
Totals, Expenditures	\$1,170	\$1,222	\$1,276

EXPENDITURES BY CATEGORY

1 State Operations	Positions/Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
PERSONAL SERVICES						
Authorized Positions (Equals Sch. 7A)	9.8	9.0	9.0	\$555	\$574	\$587
Total Adjustments	-	-	-	-	-39	-
Estimated Salary Savings	-	-	-	-	-24	-24
Net Totals, Salaries and Wages	9.8	9.0	9.0	\$555	\$511	\$563
Staff Benefits	-	-	-	307	167	140
Totals, Personal Services	9.8	9.0	9.0	\$862	\$678	\$703
OPERATING EXPENSES AND EQUIPMENT				\$308	\$544	\$573
TOTALS, POSITIONS AND EXPENDITURES, ALL FUNDS (State Operations)				\$1,170	\$1,222	\$1,276

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

1 STATE OPERATIONS	2009-10*	2010-11*	2011-12*
0169 California Debt Limit Allocation Committee Fund			
APPROPRIATIONS			
001 Budget Act appropriation	\$1,268	\$1,285	\$1,276
Allocation for employee compensation	-	5	-
Adjustment per Section 3.60	2	16	-
Reduction per Section 3.90	-95	-32	-
Reduction per Control Section 3.91	-	-52	-
Totals Available	\$1,175	\$1,222	\$1,276
Unexpended balance, estimated savings	-5	-	-
TOTALS, EXPENDITURES	\$1,170	\$1,222	\$1,276
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$1,170	\$1,222	\$1,276

FUND CONDITION STATEMENTS

	2009-10*	2010-11*	2011-12*
0169 California Debt Limit Allocation Committee Fund^s			
BEGINNING BALANCE	\$3,777	\$3,356	\$2,908
Prior year adjustments	3	-	-
Adjusted Beginning Balance	\$3,780	\$3,356	\$2,908
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS			
Revenues:			
125600 Other Regulatory Fees	724	750	750
150300 Income From Surplus Money Investments	23	27	24
Total Revenues, Transfers, and Other Adjustments	\$747	\$777	\$774
Total Resources	\$4,527	\$4,133	\$3,682
EXPENDITURES AND EXPENDITURE ADJUSTMENTS			
Expenditures:			

* Dollars in thousands, except in Salary Range.

0959 California Debt Limit Allocation Committee - Continued

	2009-10*	2010-11*	2011-12*
0840 State Controller (State Operations)	1	2	-
0959 California Debt Limit Allocation Committee (State Operations)	1,170	1,222	1,276
8880 Financial Information System for California (State Operations)	-	1	6
Total Expenditures and Expenditure Adjustments	<u>\$1,171</u>	<u>\$1,225</u>	<u>\$1,282</u>
FUND BALANCE	\$3,356	\$2,908	\$2,400
Reserve for economic uncertainties	3,356	2,908	2,400

CHANGES IN AUTHORIZED POSITIONS

	Positions/Personnel Years			Expenditures		
	2009-10	2010-11	2011-12	2009-10*	2010-11*	2011-12*
Totals, Authorized Positions	9.8	9.0	9.0	\$555	\$574	\$587
Furlough Adjustments	-	-	-	-	-21	-
PLP Adjustments	-	-	-	-	-18	-
Total Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$-</u>	<u>-\$39</u>	<u>\$-</u>
TOTALS, SALARIES AND WAGES	9.8	9.0	9.0	\$555	\$535	\$587

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